ISSN 0704-3716

Canadian Translation of Fisheries and Aquatic Sciences

No. 5281

Spin gyroscope trawlers Profitability of of renewing the consumer fleet with vessels equipped with independent spin gyroscope seine and trawl equipment

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Original title: Snurre-trawlere Rentabilitet i fornyelse af konsumfladen med fartojer, der er indrettet med uafhaengigt snurrevods- og trawl-udstyr

In: Fiskeriøkonomisk Institut (Denmark) 1985, 2 pp (Summary only)

Original language: Danish

Fisheries & Oceans
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JAN 29 1987
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Pêches & Océans

Available from:
Canada Institute for Scientific and Technical Information
National Research Council
Ottawa, Ontario, Canada K1A 0S2

1986

3 typescript pages

Secretary of State Secrétariat d'État

90-02751/

MULTILINGUAL SERVICES DIVISION – DIVISION DES SERVICES MULTILINGUES

TRANSLATION BUREAU BUREAU DES TRADUCTIONS

1

Client's No.–N° du client	Department – Ministère	Division/Branch – Division/Direction	City – Ville
2894108	DFO	IFP IPB	Ottawa
Bureau No.–N° du bureau	**Language – Langue**	**Translator (Initials) – Traducteur (Initiales)**	
LSM 6-01041	Danish	BP	

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SPIN GYROSCOPE TRAWLERS

(Danish Seine Trawlers)

PROFITABILITY OF RENEWING THE CONSUMER FLEET WITH VESSELS EQUIPPED WITH INDEPENDENT SPIN GYROSCOPE SEINE AND TRAWL EQUIPMENT.

BY

Henning P. Jørgensen

February 1985.

SEC 5-25 (Rev. 82/11)

Canada

Summary.

The purpose of this report is to throw some light on the profitability of investing in new construction of the so-called spin gyroscope trawler, that is, a vessel which, from the outset, is equipped for spin gyroscope seine fishing and trawling.

The profitability is not only dependent on the first year's yield when the interest payments and depreciation typically will be much higher than in subsequent years, but on the net yield over the whole period up to the time the vessel is disposed of.

By calculating receipts and disbursements for each period during the life-time of the project, and by taking into consideration inflation, as well as the owner's demand for a return on his investment, it is possible to calculate a total revenue objective; the present value.

In the report, calculations for a recurring example of this goal for a 40 GRT new construction have been presented.

It shows a return on investment of 6.08% after tax in the standard alternative (without subsidy). However, if the depreciation is used in an apropriate manner to reduce the taxable income, the return on investment during the same period of time is 10.75%. On the whole, the profitability shows a special sensitivity to tax changes. If a fixed tax rate of 50% is

used, then profitability is 26.73%, while it drops to 4.43% at a tax rate of 68% on all income. If a 30% subsidy is obtained, then profitability will be very high in all cases.

In addition to the recurring example, calculations have been carried out using various assumptions concerning purchase price, subsidies, catch, etc., and, with the related EDP-based book-keeping system, there are broad opportunities to change the assumptions and immediately obtain an overview of the transactions during the first 20 years of the project, as well as to calculate changes in profitability.

It is hoped that the report and the book-keeping system may contribute positively to a discussion concerning the renewal of the Danish consumer fleet.